

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 266 - HB 371**

February 12, 2021

**SUMMARY OF BILL:** Authorizes the sale of alcoholic beverages on Thanksgiving, Christmas, and Easter for alcohol retailers. Authorizes the sale of wine on Thanksgiving, Christmas, and Easter for retail food stores.

**ESTIMATED FISCAL IMPACT:**

**Increases State Revenue – Exceeds \$248,700/FY21-22 and Subsequent Years**

**Increase Local Revenue – Exceeds \$88,300/FY21-22 and Subsequent Years**

Assumptions:

*General Assumptions:*

- Any impact on licensing or enforcement by the Alcoholic Beverage Commission (ABC) will be not significant.
- Sales of alcoholic beverages may cannibalize some sales of beer on these holidays; however, there will be an increase in beer sales at stores currently closed on these three holidays that will now open on that day. The net impact on sales of beer is estimated to be not significant.

*Assumptions relative to liquor store sales:*

- Liquor store state sales tax collections in FY19-20 were \$76,395,544. It is estimated that these sales will increase by 10 percent in FY20-21 and FY21-22 for a total of \$92,438,608 [ $\$76,395,544 \times (1 + 10\%) \times (1 + 10\%)$ ].
- It is assumed that the sale of alcoholic beverages on these three holidays will cannibalize some sales of alcoholic beverages that would have been made on another day. An overall increase in taxable sales is estimated to be equal to 20 percent of average daily sales or \$153,213 ( $\$92,438,608 / 362 \text{ days} \times 20\% \times 3 \text{ holidays}$ ).
- The \$153,213 increase in state revenue for FY21-22 and subsequent years is estimated to be approximately 71.02 percent [ $7.0\% \text{ state} - (7.0\% \times 3.617\% \text{ local share}) / [7.0\% + 2.5\% \text{ local}]$ ] of the total state and local revenue increase of \$215,732 ( $\$153,213 / 71.02\%$ ).
- An increase in local revenue of \$62,519 ( $\$215,732 - \$153,213$ ) in FY21-22 and subsequent years.

*Assumptions relative to retail food store sales:*

- Based on Fiscal Review Committee staff research, the amount of state sales tax attributable to wine sold in grocery stores for FY19-20 is \$14,030,538.
- It is estimated that these sales will increase by 10 percent in FY20-21 and FY21-22 to \$16,976,951 [ $\$14,030,538 \times (1 + 10\%) \times (1 + 10\%)$ ] in FY21-22.
- It is assumed that the sale of alcoholic beverages on these three holidays will cannibalize some sales of alcoholic beverages that would have been made on another day. An overall increase in taxable sales is estimated to be equal to 20 percent of average daily sales or \$28,139 ( $\$16,976,951 / 362 \text{ days} \times 20\% \times 3 \text{ holidays}$ ).
- The \$28,139 increase in state revenue for FY21-22 and subsequent years is estimated to be approximately 71.02 percent of the total state and local revenue increase of \$39,621 ( $\$28,139 / 71.02\%$ ).
- An increase in local revenue of \$11,482 ( $\$39,621 - \$28,139$ ) in FY21-22 and subsequent years.

*Assumptions relative to alcohol excise taxes:*

- Alcoholic beverages are taxed additional excise taxes per gallon based on the type of alcohol.
- Based on information from the Department of Revenue, additional tax collections from such taxes will equal approximately 45 percent of state sales tax collections.
- The total recurring increase in alcohol excise tax collections is estimated to exceed \$81,608 [ $(\$153,213 + \$28,139) \times 45.0\%$ ].
- Pursuant to Tenn. Code Ann. § 57-3-306, such excise tax collections are distributed 82.5 percent to the General Fund and 17.5 percent to counties.
- The recurring increase in state alcohol excise tax revenue is estimated to exceed \$67,327 ( $\$81,608 \times 82.5\%$ ).
- The recurring increase in local alcohol excise tax revenue is estimated to exceed \$14,281 ( $\$81,608 \times 17.5\%$ ).

*Totals:*

- The total recurring increase in state revenue, beginning in FY21-22, is estimated to exceed \$248,679 ( $\$153,213 + \$28,139 + \$67,327$ ).
- The total recurring increase in local revenue, beginning in FY21-22, is estimated to exceed \$88,282 ( $\$62,519 + \$11,482 + \$14,281$ ).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

/aw